

STATE OF WASHINGTON



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COMMITTEE ON  
STATE GOVERNMENT ORGANIZATION

House Committee Room 7, Legislative Building

OLYMPIA, WASHINGTON

April 15, 1952.

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For the Elective Officials  
FRANK D. KEISTER  
Assistant Auditor  
DON CARBY SMITH  
Assistant Attorney General

TO ALL COMMITTEE MEMBERS:

On February 7, 8, and 9, 1952, the Committee held a series of conferences with twenty-three of the State's important executive officers. Each of the officials was encouraged to make a statement based on the attached list of questions, which were distributed some time before the opening date of the conferences. Some of the officers spoke without notes, others furnished the staff with copies of their remarks, while still others distributed reproduced statements in quantity.

The minutes, enclosed herewith, are a summary of substantially all materials submitted, including the transcribed stenographic notes of the conferences and the prepared statements. An effort has been made to reduce the size of the summary as much as possible without impairing the content.

The full record of the proceeds is on file in the Committee's office in Olympia.

OMAR A. COLEMAN, Executive Secretary

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COMMITTEE ON STATE GOVERNMENT ORGANIZATION

MINUTES

CONFERENCES WITH STATE EXECUTIVE OFFICIALS

FEBRUARY 7, 8, 9, 1952

OLYMPIA, WASHINGTON



February 7, 10:00 A. M.--Committee Meeting

The meeting of the Committee on State Government Organization was called to order in the Senate Appropriations Committee room at 10:10 on Thursday, February 7, 1952, by Mr. Harold Shefelman, Chairman.

After a brief review of the Committee's activities to date, the Chairman explained that the purposes of the conferences were to give the members of the Committee a broader background of knowledge of the organization and operation of the executive branch of the Washington State Government, and to assist in the development of understanding between the Committee and the various state officials.

The Chairman stated that the list of executive officers who were to be invited to confer with the Committee on this occasion was necessarily limited by the time available. By a process of elimination, the schedule was prepared to include eight elective officials and fifteen appointive department heads. Mention was made of the excellent response and complete cooperation of all concerned.

Members of the press were invited to participate in the conferences as though they were Committee members. Attention was called to the fact that a stenographer had been engaged to make notes, with a view to preparation of minutes of the conferences.

February 7, 11:00 A. M.--Mr. Brabrook, Director of the Budget

Mr. Brabrook was welcomed by the Chairman, and proceeded to discuss the functions of his office, following the list of questions submitted to all the department heads by the Committee.

The Office of the Director of the Budget has two chief functions, the compilation of the Biennial State Budget and the operation of the Pre-audit Law. In addition, it prescribes the uniform accounting system, operates a Central Personnel Office, makes studies of business methods in the departments and reports confidentially thereon to the Governor and thus to the Administrative Board, compiles daily expenditures of the various state departments and institutions, moves employees from one place to another as required, and prepares annual and biennial reports. The Director of the Budget is a member of the Committee on Destruction of Public Records. The Office evolved from the Department of Efficiency (Ch. 7, L. of '21), and is now located "in the office of the Governor." (Ch. 114, L. of '47)

The first principle duty of the Office, the compiling of the biennial budget, is accomplished by the Budget Section. The biennial budget "covers all state offices, departments, institutions and agencies of state government, covering all funds in the State Treasury, showing estimated revenues, departmental requests for appropriations, and Governor's recommendations." "We will start within the next 30 days to work on the budget for the next session of the legislature. We send this to all state departments, and they are requested to gather their information and get it back to us by Labor Day. We submit this to the Governor as the preliminary budget....The Governor may or may not hold hearings. If he does, we attend the hearing and conduct it for him. Then the Governor can keep the budget until December 15. He is asked to put his recommendation opposite each item,



whether he increases it or decreases it. It then becomes known as the Governor's Budget. One copy is furnished each member of the legislature and each department, and all state libraries that ask for it....The Governor is required to submit a tentative budget bill which makes the appropriations. That is prepared in the Budget Office and sent to the legislature when it convenes. As a part of our budget work, and performed by the Budget Section, is a detailed report of all funds in the State Treasury and in state departments. We balance with the State Treasury and the State Auditor. The Budget Section also prepares certain monthly reports, some statements, and circulations to the press and interested parties."

The operation of the Pre-audit Law is performed by the Pre-audit Section. "This law was passed in 1941 (Ch. 114). Under the law, it covers all departments of the State except the legislature, elective state offices, and the judiciary. It covers all boards and commissions (except those) composed entirely of elective officials, which are excluded under Attorney General's opinion." The main benefit at which pre-audit aims, contrary to the general conception, "comes from forcing the spending agencies each month to plan ahead....We (do not) try to run these various departments, but we do want them to figure out what they are doing. We are probably the only ones who get the over-all picture....It is a point of law that no appropriation is available for expenditure until the department (head) has submitted a quarterly estimate of how he purposes to spend his money for the next three months. Then we see if an appropriation is available, whether the rate of expenditure is liable to expend the appropriation, and whether there are sufficient funds to meet the appropriation. We are required to make written recommendation to the Governor. The Governor has to increase or decrease the item, and approve or disapprove. After approval, the appropriation is ready for expenditure. Then it goes to the Auditor, and we come in to police it. We set up a budget control ledger for each account and each appropriation for those departments that are under pre-audit. The quarterly estimate is divided into a number of accounts. Before any requisition can be acted upon by the Purchasing Department it must be examined by the Director of the Budget for legality....One of the reasons for pre-audit is not only to control expenditures, but it is desired by the merchants and people who do business with the State. They are entitled to know that the money is going to be there to pay for the merchandise when it is delivered....As a mechanical procedure, we keep these accounts with each allotment and furnish each department head twice a month with the amount of his appropriation. It shows amount expended to date and amount outstanding, and balance remaining to him for the balance of the quarter. A listing of the audits outstanding is sent out semi-monthly."

Mr. Brabrook was asked how the situation is handled in which a department spends beyond its means in the certain expectancy of a deficiency appropriation. He answered that, if the department can justify it, the Governor may make a grant from one of his emergency funds. In some circumstances, "which we frequently had in this biennium and will have in future years where unknown factors are concerned, the money will last until maybe January preceding the meeting of the session of the legislature. We go ahead and operate as long as we can. We ask for a deficiency appropriation and we take a chance that the legislature may not see eye to eye with them and not make the appropriation."

The Central Personnel Office services all departments except those which receive and expend Federal funds and are accordingly required to operate under the Personnel Board, which was established for that purpose. The State Highway Department has its own merit system, set up by statute. The Department of Labor and Industries has recently established such a system. "We service these departments."



Sureys of these merit systems shows we are all on the same pay scale, as we are working very closely together." (Mr. Brabrook was later asked what he meant by the expression, "We service these departments." He explained that the Office assists in recruiting and establishing qualifications for personnel, etc., in the interest of developing uniformity in job classification, promotion policies, pay scales and the like. The Office makes surveys and otherwise assists departments in setting up uniform personnel systems. He remarked, "The 1921 law which created all offices in the department, never actually has been active. Lack of funds causes this.")

At this point the question of the post-and pre-audits was raised. Mr. Brabrook explained, "Prior to 1941, the Department of Efficiency (and its successors) had post-audit functions. This was taken out and invested with the State Auditor. He has no appropriation to do this work. We do post-audit the Auditor's office. That embraces an audit of the expenditures of the Auditor himself running his own office and three divisions....We report on those to the Auditor and to the Governor." He stated that there is no duplication of post-audits. "Under our present Pre-audit Law, the post-audit is defined as an annual audit for a pre-fiscal period (a previous fiscal period). All other audits in the examination are called pre-audits....I think that the law should be changed so that the Auditor can go in at any time and audit....In pre-audit, as it is generally considered, it is the Auditor's work. He checks a voucher before he signs it. Pre-auditing is the examination of a proposed expenditure before a commitment is made, before the State is obligated to make any payments. Post-audit is sometimes considered a duplication. It is examination of a voucher after the authorization has been made."

In answer to another question on the pre-audit, Mr. Brabrook stated that, of the three tests for the validity of a voucher, namely, legality, appropriateness and availability of funds, the second, appropriateness, is a test based upon common sense. For example, if a department wants to purchase an electric typewriter, "The test there is that the department has to justify the need for such a machine, and we have to decide whether it will be best. There are some cases where we find that the department has already purchased the machine before we receive the voucher."

The Office of the Director of the Budget is financed almost wholly from the General Fund. There is one provision in the law which permits the Office to have an examiner or efficiency expert. "The salary and expense of the examiner can be charged to the appropriation of the department that is being examined--otherwise 100% from the General Fund."

Mr. Brabrook made several recommendations "for improving the efficiency and effectiveness" of his Office.

A. "First and foremost, simplification of the state accounting and fiscal systems." There are 72 separate funds in the Treasury, not including 31 funds of which the Treasurer is the custodian, but which are not "in the State Treasury," and which do not appear in the State Auditor's books. In addition, there are 134 local funds which are received and expended by departments and institutions without legislative direction or appropriation. If the number of funds were reduced, transfers between funds could be "largely eliminated." At the present time, appropriations (direct) and transfers are so confused and confusing as to make the computation of the total of "appropriations" alone



extremely difficult. Local funds are now reported for inclusion in the biennial budget for information only. They "wouldn't report as spend out."

The question of the funds was raised again later, with the suggestion that the present system may not be entirely wrong, and citing the Public Service Revolving Fund as an example. Mr. Brabrook responded, "The answer is right there in the Public Service Revolving Fund. They are very jealous. You can't use money meant for the electrical utility to use in a water utility. We have a lot of similar cases where similar funds are dumped into the General Fund that are no different than these special funds. There isn't any reason why we can't have bookkeeping methods to keep track of these. I do not propose and have not proposed that everything goes into the General Fund, but I think the number of funds should be reduced. Combine all in one fund, Agricultural Fund, etc., and spend accordingly. When you once get a fund for a special purpose, a department will fight to keep it that way. They say, this is our money and we will spend it as we see fit. Under the Act of the Liquor Board, they keep their money in a bank account, and they distribute their net profits as they see fit. The Toll Bridge Authority, on the other hand, keeps its money in the State Treasury. Mr. Brabrook believes that the Liquor Board should do so.

B. "Pre-audit should be extended to all departments with possible exception of legislature and judiciary....Now we have two systems of bookkeeping in the State of Washington....We have to tailor our pre-audit system to the process in use in all departments. One harmful provision....is that the Governor does not have anything to do to revise those budgets estimated by the colleges. Pre-audit Law should be amended so that in case of failure of revenue those institutions should take their bite (out of the Governor's emergency funds?) along with the rest of them."

C. "There should be an over-all official and merit system for all department so we can treat (them all alike)."

D. "Finally, I want to mention the first Legislative Council, which I think did a very wonderful piece of work. Recommended creation of Department of Administration. Report No. 6, issued in September, 1948 (of which each member of the Committee has been sent a copy)....I think that the recommendations in that Report are very largely the recommendations that the Director of Budget would make today, and I submit it to the Committee...."

In response to the final question on the Committee's prepared list, Mr. Brabrook stated in part, "I think you can help my department in the follow-through that will be necessary (after consulting other departments, formulating recommendations for legislation, etc.). We get lots of these reports. They are fine but don't go anywhere unless followed through. Follow proposed legislation through the legislature and really do something about it....We started on budget control in 1927. That is when my department first started. Got it in 1941. 1936 started contingent receipts funds. Got it in 1948. These things are slow."

Mr. Brabrook departed after assuring the Committee that he would give the Committee "all the cooperation we can."

Mr. Selvidge--I think the most important recommendation that Mr. Brabrook made was that the follow-through is the controlling factor....Now this committee has to make a decision as to how to make decisions and follow through on them....

Question-"You are not suggesting that we do this in 4 months, are you?"

Chairman-"It is our hope that out of these series of discussions in three days, a definite pattern of problem procedure and perhaps some solution will begin to unfold. By the third or fourth day something may start to jell in our minds. I would like the benefit of hearing more from more of these officials before expressing my opinion. Let us hold the decision in reserve until we get along with this meeting..."